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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **GENERATIONAL CAPITAL MARKETS, INC.**

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**14241 Dallas Parkway, Suite 700**

(No. and Street)  
**Dallas Texas 75254**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**Don Sterling (214) 226-7507**  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Brad A. Kinder, CPA**

(Name - if individual, state last, first, middle name)  
**815 Parker Square Flower Mound Texas 75028**  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

RMS

OATH OR AFFIRMATION

I, Brenen M. Hofstadter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GENERATIONAL CAPITAL MARKETS, INC., as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

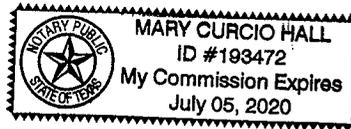
*[Handwritten Signature]*

Signature

President

Title

*Mary Curcio Hall*  
Notary Public



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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# BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028  
972-899-1170 • FAX 972-899-1172

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
Generational Capital Markets, Inc.

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Generational Capital Markets, Inc. as of December 31, 2018, the related statements of income, changes in stockholder's equity, and cash flows for the year ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Generational Capital Markets, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of Generational Capital Markets, Inc.'s management. Our responsibility is to express an opinion on Generational Capital Markets, Inc.'s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to Generational Capital Markets, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Supplemental Information

The supplemental information contained in Schedule I has been subjected to audit procedures performed in conjunction with the audit of Generational Capital Markets, Inc.'s financial statements. The supplemental information is the responsibility of Generational Capital Markets, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information contained in Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.



BRAD A. KINDER, CPA

We have served as Generational Capital Markets, Inc.'s auditor since 2008.

Flower Mound, Texas  
February 13, 2019

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Statement of Financial Condition**  
**December 31, 2018**

**ASSETS**

Cash	\$	319,346
Prepaid expenses - Parent		87,425
Prepaid expenses		24,108
		24,108
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>430,879</b>
		430,879

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable	\$	4,466
Accrued expenses		13,097
Federal income tax payable - Parent		42,936
State income tax payable		21,622
		21,622
<b>TOTAL LIABILITIES</b>		<b>82,121</b>
		82,121

**Stockholder's Equity**

Common stock, \$.01 par value, 100,000 shares authorized, issued and outstanding		1,000
Additional paid-in capital		227,000
Retained earnings		120,758
		120,758
<b>TOTAL STOCKHOLDER'S EQUITY</b>		<b>348,758</b>
		348,758
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$</b>	<b>430,879</b>
		430,879

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Statement of Income**  
**Year Ended December 31, 2018**

**Revenue**

Merger and acquisition services	\$ 6,829,376
Interest income	<u>160</u>
TOTAL REVENUE	<u>6,829,536</u>

**Expenses**

Communications	5,585
Compensation and related costs	1,857,532
Management fees - Parent	4,533,537
Occupancy and equipment - Parent	68,211
Professional fees	34,466
Regulatory fees	48,134
Other expenses	<u>55,454</u>
TOTAL EXPENSES	<u>6,602,919</u>
Net income before provision for income taxes	<u>226,617</u>
Current income taxes - federal expense	42,936
- state expense	<u>22,422</u>
Current provision for income taxes	<u>65,358</u>
NET INCOME	<u><u>\$ 161,259</u></u>

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Statement of Changes in Stockholder's Equity**  
**Year Ended December 31, 2018**

	<u>Common Shares Issued</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>(Accumulated Deficit)/ Retained Earnings</u>	<u>Total</u>
Balances at December 31, 2017	100,000	\$ 1,000	\$ 227,000	\$ (40,501)	\$ 187,499
Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,259</u>	<u>161,259</u>
Balances at December 31, 2018	<u>100,000</u>	<u>\$ 1,000</u>	<u>\$ 227,000</u>	<u>\$ 120,758</u>	<u>\$ 348,758</u>

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

**Cash flows from operating activities:**

Net Income	\$ 161,259
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in assets and liabilities	
Increase in prepaid expenses - Parent	(13,389)
Increase in prepaid expenses	(1,864)
Increase in accounts payable	146
Increase in accrued expenses	11,855
Increase in federal income tax payable - Parent	37,611
Increase in state income tax payable	6,549
Net cash provided by operating activities	202,167
Net increase in cash	202,167
Cash at beginning of year	117,179
Cash at end of year	\$ 319,346

**Supplemental Disclosures of Cash Flow Information:**

Cash paid during the year for:

Interest	\$ -
Income taxes - federal	\$ 5,325
- state	15,873
	\$ 21,198

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies**

Nature of Business:

Generational Capital Markets, Inc. (the Company) was organized in August 2006 as a Nevada corporation. The Company is a wholly-owned subsidiary of Generational Capital, LLC (Parent). The Company is registered with the Securities and Exchange Commission (SEC) as a broker-dealer in securities and is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC).

The Company operates under the exemptive provisions of Rule 15c3-3 (k)(2)(i) of the Securities Exchange Act of 1934, and accordingly, is exempt from the remaining provisions of that Rule. The Company does not hold customer funds or securities.

The Company's operations consist primarily in merger and acquisition services, through referrals from a related party, to private businesses located throughout the United States and Canada.

Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial asset and liability amounts reported in the statement of financial condition are short-term in nature and approximate fair value.

Revenue Recognition

The Company provides advisory services on mergers and acquisitions (M&A). The recognition and measurement of revenue is based on the assessment of individual contract terms. Revenue for advisory arrangements is generally recognized at the point in time that performance under the contract arrangement is completed (the closing date of the transaction) or the contract is cancelled. However, for certain

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)**

contracts, revenue is recognized over time for advisory arrangements in which the performance obligations are simultaneously provided by the Company and consumed by the customer. In some circumstances, significant judgment is needed to determine the timing and measure of progress appropriate for revenue recognition under a specific contract. Retainers and other fees received from customers prior to recognizing revenue are reflected as contract liabilities. During the year ending December 31, 2018, all revenue was recognized at the point in time the arrangement was completed (the closing date of the transaction).

**Management Fees - Parent**

The Company incurs management fees to its Parent primarily related to the Parent's and other related parties' participation in the Company's merger and acquisition activities. The management fees are discretionary and recorded when the amounts are determined and authorized.

**Income Taxes**

The Company is included in the consolidated federal income tax return and combined Texas return with its Parent. Income taxes are recorded using the separate company method to comply with financial reporting rules. Any resulting provision or benefit for income taxes is recorded as a receivable from or payable to Parent.

As of December 31, 2018, open Federal tax years subject to examination include the tax years ended December 31, 2015 through December 31, 2017.

The Company is also subject to various other state income taxes.

**Note 2 - Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2018, the Company had net capital of \$237,225, which was \$231,750 in excess of its net capital requirement of \$5,475. The Company's net capital ratio was .35 to 1.

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 3 - Related Party Transactions/Economic Dependency/Concentrations**

The Company is under the control of and economically dependent on its Parent and an affiliate, Generational Equity, LLC (GE). The Company also has a concentration of services provided by its Parent and GE. The existence of that control, dependency, and concentration creates operating results and financial position significantly different than if the Companies were autonomous. Transactions between the Company and its Parent and the Company and GE were not consummated on terms equivalent to arm's length transactions.

Under an Affiliate Agreement between the Company's Parent and GE, the Company is to provide security related merger and acquisition services to clients of GE, under its own engagement agreements. During 2018, \$6,580,007 or approximately 96% of merger and acquisition services revenue was earned as a result of GE client referrals.

The Company and its Parent entered into a Facilities Agreement (Agreement) effective January 2008 and latest amendment dated September 2016. The Agreement automatically renews for successive one year terms, unless written notice is given by either party not less than thirty days prior to the expiration of the initial or any subsequent term. The Parent provides the Company with certain office facilities and services under this Agreement. The Parent may also pay certain expenses on behalf of the Company. The Parent allocates a pro-rata portion of such expenses incurred by Parent on account of the Company. In making such allocation, the Parent equates the proportional cost of each facility or service with the proportional use or benefit derived by the Company, currently 50% of the Parent's costs. The expense allocation may change with the respective use and benefit of facilities or services. Expenses allocated to the Company under this Agreement during 2018, totaled \$68,211, of which \$44,211 was for office facilities and \$24,000 was for office services. The office facilities and office services are included in occupancy and equipment - Parent in the accompanying statement of income. The Company has prepaid its Parent a total of \$87,425 at December 31, 2018 of which \$57,425 was for office facilities and \$30,000 was for office services.

The Company incurred and paid \$4,533,537 in management fees during 2018 to its Parent, primarily related to the Parent's and other related parties' participation in the Company's merger and acquisition activities. As of December 31, 2018, there were no management fees due to Parent.

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 3 - Related Party Transactions/Economic Dependency/Concentrations (continued)**

Management and registered securities representatives of the Company are also management and employees of the Parent. The Parent provides for all salaries and certain benefits to these dual company employees at no cost to the Company. Compensation and related costs of the Company consisted of commissions, bonuses, matching contributions and payroll taxes for management and registered securities representatives earned as a direct result of the Company's merger and acquisition services revenue.

The Parent acts as common paymaster for the Company. The Company advances the funds required for compensation and related costs to its Parent who then pays the Company's compensation and related costs.

The Company is a participating employer in a 401k plan offered by GE. For the year ended December 31, 2018, Company matching contributions totaled \$19,736. These matching contributions are recorded as compensation and related costs in the accompanying statement of income.

**Note 4 - Income Taxes**

The Parent, filing a consolidated federal income tax return with the Company, allocated the Company's current taxable income. The Company recorded federal income tax payable to its Parent and federal income tax expense of \$42,936 related to the Company's allocated federal taxable income.

The Parent, filing a combined Texas return with the Company, allocated the Company's share of Texas state taxes. The Company recorded state income tax payable to its Parent and state income tax expense of \$16,428 related to the Company's allocated Texas state tax.

The Company files separate state income tax returns in California and Illinois. State income tax payable and state income tax expense of \$5,194 and \$5,994; respectively, related to these states.

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 5 - Concentration of Credit Risk**

The Company has cash held at a Texas bank, totaling \$319,346 or approximately 74% of the Company's total assets at December 31, 2018. Cash held was in excess of the FDIC insurance of \$250,000, creating a credit risk of \$69,346 at December 31, 2018. Cash balances fluctuate on a daily basis.

**Note 6 - Contingencies**

There are currently no asserted claims or legal proceedings against the Company, however, the nature of the Company's business subjects it to various claims, regulatory examinations, and other proceedings in the ordinary course of business. The ultimate outcome of any such action against the Company could have an adverse impact on the financial condition, results of operations, or cash flows of the Company.

**Note 7 - Subsequent Events**

Management has evaluated the Company's events and transactions that occurred subsequent to December 31, 2018, through February 13, 2019, the date which the financial statements were available to be issued.

**Schedule I**

**GENERATIONAL CAPITAL MARKETS, INC.**  
**Supplemental Information**  
**Pursuant to Rule 17a-5**  
**December 31, 2018**

**Computation of Net Capital**

Total stockholder's equity qualified for net capital	<u>\$ 348,758</u>
Deductions and/or charges	
Non-allowable assets:	
Prepaid expenses - Parent	87,425
Prepaid expenses	<u>24,108</u>
Total non-allowable assets	<u>111,533</u>
Net Capital	<u><u>\$ 237,225</u></u>
Aggregate indebtedness	
Accounts payable	\$ 4,466
Accrued expenses	13,097
Federal income tax payable - Parent	42,936
State income tax payable	<u>21,622</u>
Total aggregate indebtedness	<u><u>\$ 82,121</u></u>
Computation of basic net capital requirement	
Minimum net capital required (greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 5,475</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 231,750</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>.35 to 1</u></u>

**Reconciliation of Computation of Net Capital**

The above computation does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2018 as filed by Generational Capital Markets, Inc. on Form X-17A-5. Accordingly, no reconciliation is deemed necessary.

**Statement Regarding Changes in Liabilities Subordinated to Claims of General Creditors**

No statement is required as no subordinated liabilities existed at any time during the year.

**Statement Regarding Exemption from Reserve Requirements**

The Company operates pursuant to section (k)(2)(i) exemptive provisions of Rule 15c3-3 of the Securities Exchange Act of 1934. Under these exemptive provisions, the Computation for Determination of Reserve Requirements and Information Relating to the Possession and Control Requirements are not required.

See accompanying report of independent registered public accounting firm.

# BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028  
972-899-1170 • FAX 972-899-1172

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
Generational Capital Markets, Inc.

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Generational Capital Markets, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Generational Capital Markets, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3:(2)(i) (exemption provisions) and (2) Generational Capital Markets, Inc. stated that Generational Capital Markets, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Generational Capital Markets, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Generational Capital Markets, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.



BRAD A. KINDER, CPA

Flower Mound, Texas  
February 13, 2019



**GENERATIONAL  
CAPITAL MARKETS**  
Member FINRA/SIPC

**Generational Capital Markets, Inc.**  
Exemption Report

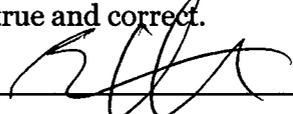
**Generational Capital Markets, Inc.** (the Company) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. § 240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k):(2)(i).

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year without exception.

Generational Capital Markets, Inc.

I, Brenen M. Hofstadter, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

**By:** \_\_\_\_\_  


Title: President

**February 13, 2019**